

**EAST JUAB COUNTY
WATER CONSERVANCY DISTRICT**

Financial Statements

December 31, 2005

EAST JUAB COUNTY WATER CONSERVANCY DISTRICT
Financial Statements
December 31, 2005

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ACCOUNTANTS' COMPILATION REPORT

To the Board of Directors
East Juab County Water Conservancy District

We have compiled the following accompanying financial statements and supplemental schedules of East Juab County Water Conservancy District, as listed in the table of contents, as of, and for the year ended December 31, 2005, in accordance with Statement on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Hawkins Cloward & Simister, LC

HAWKINS CLOWARD & SIMISTER, LC
Certified Public Accountants

June 09, 2006

MEMBERS OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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EAST JUAB COUNTY WATER CONSERVANCY DISTRICT
Government-wide Statement of Net Assets
December 31, 2005

Assets	<u>Governmental Activities</u>
Cash and cash equivalents	\$ 175,548
State Treasurer's Investment Pool	307,149
Operation Funding Receivable	2,068
Property taxes due from County	24,621
Capital Assets	
Depreciable furniture and equipment	4,302
Water efficiency project improvements	4,718,881
Accumulated depreciation	<u>(395,912)</u>
Total assets	<u><u>\$ 4,836,657</u></u>
Liabilities	
Accounts payable	\$ 774
Accrued interest	18,050
Bonds payable-Utah Division of Water Resources	
Due within one year	31,000
Due thereafter	<u>2,135,000</u>
Total liabilities	<u><u>\$ 2,184,824</u></u>
Net Assets	
Invested in capital assets, net of related debt	\$ 2,161,271
Restricted for emergency capital expenditures	83,222
Restricted for East Juab Water Efficiency Project	24,261
Unrestricted	<u>383,080</u>
Total net assets	<u><u>\$ 2,651,834</u></u>

EAST JUAB COUNTY WATER CONSERVANCY DISTRICT
Government-wide Statement of Activities
For the Year Ended December 31, 2005

		Program Revenues		Net (Expenses) Revenues and Changes in Net Assets
		Operating Grants and Contributions	Capital Grants and Contributions	
<u>Governmental Program Activities</u>	<u>Expenses</u>			
General government	\$ 19,930	\$ 22,959		\$ 3,029
Conservation Project Construction/Maintenance	87,986		\$ 48,233	(39,753)
Interest on long-term debt	21,707	21,707		-
Total governmental activities	<u>129,623</u>	<u>44,666</u>	<u>48,233</u>	<u>(36,724)</u>
General Revenues				
Interest revenue				9,973
Property tax, net of refunds				<u>88,923</u>
Total general revenues				<u>98,896</u>
Change in net assets				62,172
Net assets at beginning of year				2,589,662
Net assets at end of year				<u>\$ 2,651,834</u>

EAST JUAB COUNTY WATER CONSERVANCY DISTRICT
Governmental Funds
Balance Sheet

December 31, 2005

	General Fund	Capital Projects Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 49,999	\$ 125,549	\$ 175,548
State Treasurer's Investment Pool		307,149	307,149
Operation Funding Receivable	2,068		2,068
Property taxes due from County	24,621		24,621
Total assets	<u>\$ 76,688</u>	<u>\$ 432,698</u>	<u>\$ 509,386</u>
Liabilities and Fund Equity			
Liabilities			
Accounts payable	<u>\$ 774</u>		<u>\$ 774</u>
Fund Equity			
Reserved - East Juab Water Efficiency Project		\$ 24,261	24,261
Reserved - Emergency Capital Reserve Fund		83,222	83,222
Designated - Future capital projects		325,215	325,215
Unreserved	75,914		75,914
Total fund equity	<u>75,914</u>	<u>432,698</u>	<u>508,612</u>
Total liabilities and fund equity	<u>\$ 76,688</u>	<u>\$ 432,698</u>	<u>\$ 509,386</u>

See accompanying accountants' compilation report and notes to financial statements

EAST JUAB COUNTY WATER CONSERVANCY DISTRICT

**Reconciliation of the Governmental Funds Balance Sheet
to the Government-wide Statement of Net Assets**

December 31, 2005

Total fund balance - governmental funds	\$ 508,612
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources; therefore, they are not reported in the governmental funds balance sheet.	4,327,271
Long-term liabilities and accrued interest are not due and payable with financial resources in the current period; therefore, they are not reported in the governmental funds balance sheet.	(2,184,049)
Net assets of governmental activities	<u>\$ 2,651,834</u>

See accompanying accountants' compilation report and notes to financial statements

**EAST JUAB COUNTY WATER CONSERVANCY DISTRICT
GOVERNMENTAL FUNDS**

Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Year Ended December 31, 2005

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues			
Property taxes, net of refunds	\$ 88,923		\$ 88,923
CUWCD funding	32,959		32,959
Nephi Irrigation contributions	49,940	\$ 10,000	59,940
Interest		9,973	9,973
Total revenues	<u>171,822</u>	<u>19,973</u>	<u>191,795</u>
Expenditures			
Current:			
Insurance	425		425
Accounting and auditing	7,290		7,290
Miscellaneous	59		59
Contract services	1,077		1,077
Engineering and Surveying	10,000		10,000
OM&R assessment - NIC	925		925
Salaries and wages	6,000		6,000
Payroll taxes	849		849
Office supplies and expense	136		136
Rent	3,000		3,000
Telephone and utilities	1,094		1,094
Debt Service:			
Principal payments	28,000		28,000
Interest payments	21,940		21,940
Total expenditures	<u>80,795</u>		<u>80,795</u>
Excess of revenues over expenditures	91,027	19,973	111,000
Other Financing Sources (Uses)			
Transfer from General Fund		98,500	98,500
Transfer to Capital Projects Fund	(98,500)		(98,500)
Excess (Deficiency) of revenues and other financing sources over expenditures and other financing uses	(7,473)	118,473	111,000
Fund balance, January 1	83,387	314,225	397,612
Fund balance, December 31	<u>\$ 75,914</u>	<u>\$ 432,698</u>	<u>\$ 508,612</u>

See accompanying accountants' report and notes to financial statements

EAST JUAB COUNTY WATER CONSERVANCY DISTRICT

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the Statement of Activities**

For the Year Ended December 31,2005

Net change in fund balances - total governmental funds	\$ 111,000
Amounts reported for governmental activities in the Statement of Activities are different because:	
Depreciation expense on capital assets is reported in the Government-wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	(77,061)
Principal payment on long-term debt requires current financial resources, but has no effect on net assets.	28,000
Difference between accrual-basis interest expense and interest paid with current financial resources in 2004.	233
Change in net assets of governmental activities	<u>\$ 62,172</u>

See accompanying accountants' compilation report and notes to financial statements

EAST JUAB COUNTY WATER CONSERVANCY DISTRICT

Notes to Financial Statements

December 31, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

East Juab County Water Conservancy District was formed in September of 1989 by the Fourth Judicial District Court in and for Juab County, State of Utah. Its purpose is the conservation, development, and stabilizing of the water supply within the boundaries of the District for irrigation, municipal, industrial and other beneficial uses. Its board members were appointed by the Juab County Commission. Because of a lack of financial oversight and interdependence with the County, the District is not considered a component unit of the County. Also, the District has no component units.

The accounting policies of East Juab County Water Conservancy District (the District) conform to U.S. generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant policies.

Basis of Presentation

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the activities of the District.

The statement of activities demonstrates the degree to which the direct expenses of the given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements. The District has no non-major funds.

Governmental funds are those funds through which most of the governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The District has presented the following major governmental funds:

EAST JUAB COUNTY WATER CONSERVANCY DISTRICT

Notes to Financial Statements

December 31, 2005

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

General Fund

The General Fund is the main operating fund of the District. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Capital Projects Fund

The Capital Projects Fund is used to account for funds received and expended for the acquisition or construction of capital facilities, improvements, and equipment.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The general fund and capital projects funds use a current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under this basis, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, typically considered to be 60 days. However, debt service expenditures are recorded only when payment is due.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the balance sheet and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred. Interfund transfers are eliminated in the government-wide statements.

EAST JUAB COUNTY WATER CONSERVANCY DISTRICT

Notes to Financial Statements

December 31, 2005

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budget/Amendments

The District has established its accounting year as a calendar year. Annually, the Board prepares, reviews and formally adopts an operating budget pursuant to the requirements of Utah state law. Budget amendments, if needed, are made by resolution of the Board. If the total expenditure budget is increased as a result of the budget amendment, a public hearing is held, after appropriate notification. The budget for 2005 was amended by the Board.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at December 31, 2005, and revenues and expenses during the year then ended. The actual results could differ from those estimates.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The District first utilizes restricted resources to finance qualifying activities.

NOTE 2 — DEPOSITS AND INVESTMENTS WITH FINANCIAL INSTITUTIONS

Deposits and investments for the District are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the District's exposure to various risks related to its cash management activities.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be recovered. The District's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the District to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an

EAST JUAB COUNTY WATER CONSERVANCY DISTRICT

Notes to Financial Statements

December 31, 2005

NOTE 2 — DEPOSITS AND INVESTMENTS WITH FINANCIAL INSTITUTIONS (CONTINUED)

agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of December 31, 2005, \$77,823 of the District's bank balance of \$177,823 was uninsured and uncollateralized.

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk of investments.

Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The District's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations as defined in the Act.

The District is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances. The fair value of the District's position in the pool is the same as the value of its pool shares. The value of the District's shares in the pool at December 31, 2005 was \$307,149.

EAST JUAB COUNTY WATER CONSERVANCY DISTRICT

Notes to Financial Statements

December 31, 2005

NOTE 2 – DEPOSITS AND INVESTMENTS WITH FINANCIAL INSTITUTIONS (CONTINUED)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The District manages its exposure to declines in fair value by investing mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

NOTE 3 – CAPITAL ASSETS

Changes in capital assets for 2005 are as follows:

	<u>January 1</u>	<u>Additions</u>	<u>December 31</u>
<u>Capital Assets being depreciated</u>			
Furniture and equipment	\$ 4,302		\$ 4,302
Water Efficiency Project Improvements	4,718,881		4,718,881
Accumulated Depreciation	<u>(316,721)</u>	\$ <u>(79,191)</u>	<u>(395,912)</u>
Net capital assets	<u>\$4,406,462</u>	\$ <u>(79,191)</u>	<u>\$ 4,327,271</u>

Capital assets whose cost exceeds \$1,000 are capitalized. Depreciation is computed on a straight-line basis over lives of 5-10 years for furniture and equipment and 60 years for improvements.

NOTE 4 – PROPERTY TAX CALENDAR

Property taxes attach as a lien on property January 1. Taxes are levied in June and payable by November 30. Property taxes are billed and collected by Juab County on behalf of the District and remitted to the District monthly.

NOTE 5 – CONTRACTS FOR EAST JUAB WATER EFFICIENCY PROJECT

Pursuant to a cooperative agreement between the Central Utah Water Conservancy District (CUWCD) and the U.S. Department of the Interior, the East Juab County Water Conservancy District entered into a third party agreement with CUWCD for implementation of the East Juab Water Efficiency Project (the Project). Under the terms of the third party agreement, the District and CUWCD are required to provide local cost-share funds, including in-kind contributions, for at least 35% of the cost of the project. The District and CUWCD are also responsible to design, construct and operate the water distribution system

EAST JUAB COUNTY WATER CONSERVANCY DISTRICT

Notes to Financial Statements

December 31, 2005

NOTE 5 – CONTRACTS FOR EAST JUAB WATER EFFICIENCY PROJECT (CONTINUED)

of the project to insure targeted water conservation goals. The District has obtained a portion of its local cost share in the form of revenue bonds, through the Utah Board of Water Resources, as explained in Note 7. In connection with this loan, and upon the project becoming operational, the District established and is maintaining an emergency capital reserve fund for paying emergency costs of capital improvements and replacements. This fund is required to accumulate to, and be maintained at, an amount of \$100,000. Also, Nephi Irrigation Company, which is a party to the project, maintains an operation, maintenance and repair fund, which is to accumulate to, and be maintained at, an amount of \$50,000. This requires both the District and Nephi Irrigation Company to provide \$10,000 annually to each fund until the required level is reached, and annually thereafter, in equal amounts, to replenish the funds to these levels as monies are expended.

NOTE 6 – RISK MANAGEMENT

The District has exposure to a variety of risks as a result of its operations, including general liability risks, workers compensation risks and risks from various actions taken by the Board. The District has obtained insurance coverage to provide for these risks.

NOTE 7 – LONG-TERM DEBT

In June, 1999 the District issued \$2,270,000 in water revenue bonds for the purpose of financing its share of the cost of the East Juab Water Efficiency Project. As described in Note 5, a portion of the proceeds of the bonds were used to repay advances paid for the District by Central Utah Water Conservancy District to construction contractors. The bonds are special limited obligations of the District payable solely from the net revenues generated from the water system to be constructed. The bonds are currently held by the Utah Board of Water Resources. They bear an interest rate of 1% per annum. The future minimum bond payments are as follows:

EAST JUAB COUNTY WATER CONSERVANCY DISTRICT

Notes to Financial Statements

December 31, 2005

NOTE 7 – LONG-TERM DEBT (CONTINUED)

March 1 of the Year	Principal Maturing	Interest Payment	Total Payment
2006	\$ 31,000	\$ 21,660	\$ 52,660
2007	35,000	21,350	56,350
2008	39,000	21,000	60,000
2009	42,000	20,610	62,610
2010-2014	270,000	95,950	365,950
2015-2019	377,000	80,340	457,340
2020-2024	523,000	58,780	581,780
2025-2029	660,000	29,790	689,790
2030	189,000	1,890	190,890
Total	<u>\$ 2,166,000</u>	<u>\$ 351,370</u>	<u>\$ 2,517,370</u>

Changes in long-term debt for 2005 are as follows:

Balance of bonds payable, January 1, 2005	\$ 2,194,000
Principal payment in 2005	<u>(28,000)</u>
Balance of bonds payable, December 31, 2005	<u>\$ 2,166,000</u>

NOTE 8 – ECONOMIC DEPENDENCY

Because of the significant nature of the construction activity of the District, and the proposed sources of funding for that activity, the District is economically dependent on the future funding policies of both the federal government and the Central Utah Water Conservancy District.

NOTE 9 – FUND BALANCE RESERVATIONS AND DESIGNATIONS - FUND FINANCIAL STATEMENTS

In the fund financial statements, the District has reserved portions of the fund balance in the Capital Projects Fund to reflect that assets of that fund are earmarked to be used for further work on the East Juab Water Efficiency Project and a reserve for emergency capital replacements thereon (see note 5), as well as for future capital projects to be undertaken by the District.

EAST JUAB COUNTY WATER CONSERVANCY DISTRICT

Notes to Financial Statements

December 31, 2005

NOTE 10 – TRANSFERS

A transfer from the General Fund to the Capital Projects Fund was made in order to keep General Fund equity within legal limits and to increase amounts available for future capital projects.

EAST JUAB COUNTY WATER CONSERVANCY DISTRICT

Budgetary comparison schedule - All Funds

For the year ended December 31, 2005

	General Fund				Capital Projects Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues								
Property taxes, net of refunds	\$ 47,500	\$ 65,000	\$ 88,923	\$ 23,923				
CUWCD funding	60,000	35,000	32,959	(2,041)				
Interest					\$ 2,000	\$ 5,200	\$ 9,973	\$ 4,773
Usage of beginning fund balance		35,900		(35,900)				
NIC Assessment - Debt Service	49,940	49,940	49,940					
NIC Assessment - Emergency Capital Reserve								
Total revenues	157,440	185,840	171,822	(14,018)	10,000	10,000	10,000	
					12,000	15,200	19,973	4,773
Expenditures								
Current:								
Insurance	500	500	425	75				
Telephone and utilities	1,400	1,400	1,094	306				
OM&R Payment to NIC account	10,000	10,000	925	9,075				
Legal and professional fees	16,000	8,000	7,290	710				
Salaries and payroll taxes	7,000	7,000	6,849	151				
Rent	3,000	3,000	3,000					
Contract services	30,000	3,000	1,077	1,923				
Cloud seeding	3,000	3,000		3,000				
Other operating costs	2,500	1,500	195	1,305				
Total current expenditures	73,400	37,400	20,855	16,545				
Debt Service:								
Interest payments	21,940	21,940	21,940					
Principal payments	28,000	28,000	28,000					
Capital Outlay:								
Project costs					30,000			
Engineering	10,000	10,000	10,000					
Equipment purchase	5,000							
Total expenditures	138,340	97,340	80,795	16,545	30,000			
Excess of revenues over expenditures	19,100	88,500	91,027	2,527		15,200	19,973	4,773
Other financing sources (uses)								
Transfer from (to) other funds	(29,100)	(98,500)	(98,500)		29,100	98,500	98,500	
Excess of revenues and other financing sources over expenditures and other financing uses	\$ -0-	\$ -0-	(7,473)	\$ 2,527	\$ 29,100	\$ 113,700	118,473	\$ 4,773
Fund balance, January 1			83,387				314,225	
Fund balance, December 31			\$ 75,914				\$ 432,698	

EAST JUAB COUNTY WATER CONSERVANCY DISTRICT

Supplemental Schedule of Equity

December 31, 2005

	General Fund			Capital Projects Fund			
	CUWCD Operational Funding	Property Tax and Other Revenue	Total Fund Equity	EJWEP	Emergency Capital Reserve Fund	Other Capital Projects	Total Fund Equity
Fund Equity, January 1, 2005		\$ 83,387	\$ 83,387	\$ 23,473	\$ 61,169	\$ 229,583	\$ 314,225
Property tax		88,923	88,923				
CUWCD funding	\$ 32,959		32,959				
NIC Assessment - Debt Service		49,940	49,940				
NIC Assessment - Emergency Capital Reserve					10,000		10,000
Interest revenue				788	2,053	7,132	9,973
Operating Expenses	(32,959)	3,029	(29,930)				
Transfer to NIC Emergency OM&R fund		(925)	(925)				
Principal on Bond		(28,000)	(28,000)				
Interest on Bond		(21,940)	(21,940)				
Transfer to Emergency Capital Reserve Fund		(10,000)	(10,000)		10,000		10,000
Transfer to Capital Projects Fund		(88,500)	(88,500)			88,500	88,500
Fund Equity, December 31, 2005	\$ -0-	\$ 75,914	\$ 75,914	\$ 24,261	\$ 83,222	\$ 325,215	\$ 432,698